

Colstrip Community Impact Advisory Group  
Colstrip City Council Chambers  
Monday, April 16, 2018

Present:

Adam Schafer, Governor's Office (co-chair)	Jim Atchison, SEMDC
Jon Bennion, Attorney General Office (co-chair)	Barb Wagner, DLI
Janet Kelly, Puget Sound Energy	Stacey Yates, Business Manager IBEW 1638
John Williams, Mayor of the City of Colstrip	Wally McRae, Colstrip area rancher
Chris Dorrington, DEQ	Geraldine Custer, State Representative
Doug Martens, Rosebud County Commissioner	Marty Tuttle, Deputy Director of DOC
Jason Small, State Senator & President of Boilermakers	

The meeting was called to order at 9:00 am. Adam Schaffer reviewed the meeting agenda.

Jon Bennion moved to approve the minutes of the March 2, 2018 meeting. Jason Small 2<sup>nd</sup> No changes were requested. Motion carried with all in favor.

Economic and Operations Overview of Rosebud Mine & Montana Coal Markets

Jack Standa, General Manager of Rosebud Coal Mine, reported that Rosebud Mine sells an average of 8 million tons of coal each year. 15% of their revenue (not profit) goes to Helena in taxes. Montana has the largest coal reserves in the United States. Coal has been a huge growth industry, especially during this century. Mr. Standa said coal is not dying and will be the primary source of power generation for many decades to come.

Todd O'Hair, Cloud Peak Energy, reported their Spring Creek mine employees' average income is \$70,000 per year not including benefits, bonus and overtime. The mine contributes \$10 million per year to Montana's economy primarily in the form of purchases, especially in Billings, but also in donations. The largest customer for their Montana coal mine is Detroit Edison, which serves GM, Ford and Chrysler. In 2015, Cloud Peak paid \$15 million in taxes in the state of Montana. Mr. O'Hair shared information on the increasing international demand of coal and the effect of weather on coal production and price. The Asian market is growing dramatically. Japan and South Korea are continuing to build coal-fired generating plants. Currently Cloud Peak is the largest exporter of coal into the Asian market. The U.S. Energy Information Administration projects coal consumption will increase 1% globally by 2040. Regulations are being pulled that were detrimental to the coal industry. Cloud Peak believes technology is the solution to climate change and a solution to lowering CO2 emissions needs to be found. He also pointed out the country is spending \$11-12 billion per year on renewal energy subsidies.

Jim asked about the 45Q Rule. Todd explained the 45Q rule allows tax credits for using carbon dioxide for commercial purposes. It is expensive to capture the CO2 for enhanced oil recovery or other purposes. Cloud Peak's position is that offering tools such as the 45Q tax credit will drive down the cost of technology, making it more affordable.

### Concerns and Potential Impacts to Communities Outside of Colstrip

Doug Martens, Rosebud County Commissioner, explained the affects to the county from the closure of power plant units 1 and 2. There is still a lot they do not understand or know. They estimate losing a half million dollars in federal royalty mineral tax per year and \$900,000 in coal gross proceeds tax and five million dollars in property taxes. A six-million-dollar reduction to the county's budget is 25% of the county's total budget. The county could lose 10-15% population due to layoffs, which could lead to a decrease in property tax values. County services could be reduced or eliminated. There are outlying tax districts, such as the medical center and park/recreation district, that will be drastically affected also. The library, senior citizen's center and ambulance service are county services. The Colstrip ambulance is volunteer staffed and is already having trouble staffing it. Mr. Martens also explained a lot of the money produced in Colstrip is spread around the state, including businesses in Miles City and Billings and the employees that live in other communities.

Hanna Schantz, Treasure County Attorney, explained the impact to Treasure County. Treasure County will not be impacted as much as Rosebud County but there will be an impact. The main impacts will be in utility taxes from the transmission lines, federal royalty mineral taxes and population loss. They expect a reduction of coal mined due to closure of units 1 and 2. There are workers who work in Colstrip but live in Treasure County with their families. It is a small county with only 700 people so any loss of people is felt. It is hard to predict the financial impact but due to their small budget any reduction is hard.

Sheldon King, Northern Cheyenne Tribal Council, explained the closure of the Colstrip power plants will cause Northern Cheyenne workers to lose their jobs and impact funding should be provided to the tribe for economic development and job placement. Approximately 116 tribal members are employed in Colstrip and each employee supports 15-19 family members. The Tribal Council feels a member of the tribal council should have been on the panel. They would like to have some of the impact aid come back to the reservation and feel like they are being left out in the cold.

John Williams commented an agreement was made in the 1980's between the power plant and coal mine owners and the Northern Cheyenne Tribe that gave preferential treatment for employment to Native Americans. Mr. Williams asked if any of the owners have contacted the tribe. Mr. King reported they have not.

### Overview of Talen Workforce and Operations

Neil Dennehy, Colstrip Power Plant Manager and representing Talen Energy, explained the owners of units 1 and 2 agreed in 2016 to shut down the units by July 1, 2022. But an exact shut down date has not been determined so it is hard to know what all the impacts will be at this time. The units comprise approximately 1/3 of the power plant's operations. Power Plant employees average \$80,000 plus benefits in wages versus the state average of \$46,000 (information provided by Barb Wagner).

Marty Tuttle asked what types of issues the owners will be looking at to determine the shut-down date. Mr. Dennehy feels the biggest issue will be the economics.

Jason Small asked if any there has been any dialogue about transferring workers to other plants or facilities owned by the power plant owners. Neil is not aware of any discussions. Employees of Talen Energy have the opportunity to bid on other jobs within their company.

Adam Schafer asked about the life of units 3 and 4. Neil said it is an economic decision but Talen's position is they will run as long as they are able to.

Wally McRae commented that when the power plants began, Montana Power Company hired someone to prepare the community for the positives and negatives of the power plant. A man was hired to help with any problems people here had and he was very helpful and understood a transition period and how the companies involved could help the people. Mr. McRae said it would be nice to have the same type of help like was provided when the power plant began.

Jim Atchison suggested the power plant owners consider hiring a communications person to communicate with the community.

#### Power Grant Update

Liz Ching explained the state has \$2 million to train and retrain workers directly impacted by downturn in coal economy such as the power plant and coal mine workers. AFL-CIO (Al Ekblad), Miles Community College, Chief Dull Knife College and Dawson Community College have been contracted as trainers. Liz will be in Colstrip 2-3 days per week. There are 23 counties in Eastern Montana covered by the grant including the Northern Cheyenne and Fork Peck Indian Tribes. Barb Wagner explained they can train for any job as long as the job is in-demand. She encouraged people to get in the pipeline now even though it is not happening today.

Chris Dorrington asked if there is a target number of employees. Barb said they are targeting 1,100 people.

Al Ekblad, Executive Secretary of Montana AFL-CIO, explained they are one of the contract trainers and is specifically targeting the population of workers that are already being impacted. They are in partnership with four labor unions and training is designed so that the workers can work in other places when work is not available locally. It is also designed to allow workers to continue to work in their current occupation/field.

#### Update on City of Colstrip Intervening in Avista/Hydro One Public Service Commission Case

The City of Colstrip filed as an intervener in the sale/merger of Avista Corporation to Hydro One. Mayor John Williams explained that since Avista has 30 customers in Montana, they have to go before the Montana Public Service Commission to complete the merger. This opened the door for the City of Colstrip to file as an intervener, since Avista also is part owner of Colstrip units 3 and 4. They also had to go before the Washington utility commission and in that proceeding pledged to give \$3 million to Colstrip. No details about this money has been provided.

Break for lunch at 11:40 am. Reconvened at 12:42 pm

#### Just Transition Fund

Cindy Winland, Senior Fellow with the Just Transition Fund, explained the organization is an initiative that grew out of the Obama Administration to help distribute the Power Funds. Some of the things they do is

support community-driven planning projects, expanding economic development strategies, expanding work-force development program and develop human capital, invest in and support entrepreneurs. Cindy talked about the characteristics of a successful transition including acceptance, acknowledgement, responsibility, flexibility, realism and planning. Economic impacts and responses were reviewed such as diversification, repurposing, and retraining. Cindy provided examples of other communities that faced transitioning and how they responded. Cindy is currently working mostly in Ohio and Minnesota.

Marty Tuttle asked what type of commitment would they provide and would it be to the committee or the community? Cindy explained their commitment would be primarily to the committee and would be involved in the process until the plan is finalized.

Barb Wagner asked about the entrepreneur grants. The fund provides between \$25,000 - \$50,000 to help start a business for a proven outcome. It is private funding, not public.

Jon Bennion asked if Just Transition became involved, how would it work. Cindy said they would be more of a facilitator. Their goals are equitable engagement, sustainable economic development and promote clean-energy where it's possible. But the decisions would be made by the advisory group. There is no cash cost. Their only expectation is participation and progress.

#### Roundtable Discussion on Priorities and Ideas to Address Impacts

Jim Atchison of South Eastern Montana Development Corporation proposed the following:

- 1) Start a Small Business Revolving Loan Fund for current or startup small businesses in Colstrip and Rosebud County only. Estimate for this proposal is \$500,000.
- 2) A Fund for Feasibility Studies for large projects such as renewable energy projects or light manufacturing. Most funding sources for these feasibility projects require a 50% match and this fund could be used to provide that match. The estimated cost of this proposal is \$400,000.

John Williams would like to pursue his previous proposals of:

- 1) Vacant commercial properties owned by the power plant owners being transferred to the City of Colstrip
- 2) Water Rights and Availability
- 3) Possibility of the City of Colstrip becoming a utility or ability to market electric power

John also discussed the City of Colstrip's debt. When the City of Colstrip incorporated, it took over ownership and operation of the water and wastewater services and of the streets. At one time the power plant owners owned and operated the water and wastewater services in Colstrip. The City took on an aging infrastructure and has incurred debt over the years maintaining/upgrading the infrastructure. The city currently has bonded indebtedness of \$1.7 million. John feels the power plant owners have a responsibility towards that.

Wally McRae feels John has good ideas and feels the major financial responsibility to do some of the things that need done here is in the hands and conscience of the companies that operated here.

Doug Martens stated his constituents would like the money to be used similar to the Coal Trust Fund by only spending the interest and not the principal. They fear that the money will be spent on projects or ideas that will fail and then the money is all gone.

#### Public Comment

Bill Neumiller, President of the Quality of Life Corporation, read a proposal from the Quality of Life Corporation requesting the CCIAG consider a \$1 million donation to fund a Southern Rosebud County Community Foundation. A Northern Rosebud County Community Foundation already exists.

Rex Rogers suggested in addition to the land proposal from Mayor Williams, there is a state school trust section of land adjacent to city limits. There is a railroad line, high voltage power line and the water pipeline from the river going through this land. It is currently used for grazing and recreation but could possibly be looked at for economic development.

David Saulsbury is a member of Colstrip Class Action.org which is pursuing legal action to pursue fairness for the people of Colstrip. He feels Colstrip is being attacked by radical extreme environmentalists that want to destroy it. \$10 million is a slap in the face and he has asked the Colstrip City Council and Rosebud County Commissioners reject that offer.

Becky Bey of Kadamas, Lee and Jackson stated a lot of time and energy was put into the Colstrip Economic Diversification Strategy. She asked the CCIAG to look at that document and consider either a specific project or generalities contained in it.

Al Ekblad, AFL-CIO, encouraged the CCIAG to look at the impact to the workers. There are a lot of workers that can lose health insurance and retirement savings. He asked the CCIAG to look at researching how to address those issues and health issues of the workers.

Gary Ryder, Colstrip City Attorney, agrees that \$10 million is not sufficient. Paying off the City of Colstrip's debt would help keep their utility rates down. He encouraged the panel to look at more water rights for the City of Colstrip, lower electric rates for residents of Colstrip and debt reduction for the city.

Wally McRae made a motion to approach the power plant owners to transfer land, water and utilities to the City of Colstrip. Adam Schafer seconded the motion. Doug Martens asked if the City or SEMDC would be the best recipient of the land. Mayor Williams responded that his idea was the City of Colstrip would be the recipient and the city would enter into an agreement with SEMDC for the marketing of the property. A letter will be drafted and discussed by the CCIAG at their next meeting. Motion carried with all in favor.

The next meeting was changed to Tuesday, May 15<sup>th</sup> instead of May 14<sup>th</sup>. The following meeting was tentatively scheduled for June 25<sup>th</sup>. The May agenda will include the MT Department of Commerce addressing housing cost impact and a new report on remediation. Adam Schafer recommended utilizing Cindy Winland's expertise with Just Transition Fund. There was no objection from CCIAG members.

Jon Bennion moved to adjourn the meeting. Jason Small seconded. The meeting adjourned at 2:46 pm.